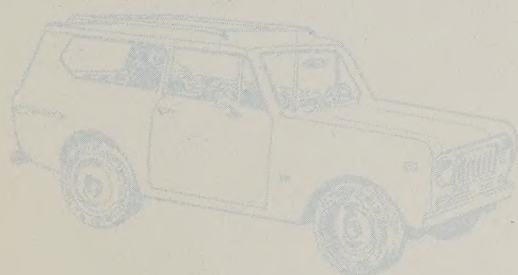


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## 1973 ANNUAL REPORT



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INTERNATIONAL HARVESTER CREDIT CORPORATION  
OF CANADA LIMITED



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED  
General Office, 208 Hillyard Street, Hamilton, Ontario

## ANNUAL REPORT for the year ended October 31, 1973

DIRECTORS AND OFFICERS, at October 31, 1973

### BOARD OF DIRECTORS

CHARLES C. BRANNAN, Executive

WILLIAM E. CALLAHAN, Executive Vice President, International Harvester Company

WILLIAM R. FLEMING, *Vice President*, Senior Vice President, International Harvester Company of Canada, Limited

EDWARD R. GRIFFITH, *Treasurer and Comptroller*, Treasurer, International Harvester Company of Canada, Limited

LESTER W. LINCKE, *Vice President*, Vice President and Comptroller, International Harvester Company of Canada, Limited

LAWRENCE J. MURPHY, Manager, Sales Finance, International Harvester Company of Canada, Limited

NORMAN E. PHIPPS, Queen's Counsel

KEITH R. POTTER, Executive Vice President, International Harvester Company

W. NORMAN SMITH, *President*, President, International Harvester Company of Canada, Limited

### OFFICERS

W. NORMAN SMITH, *President*

WILLIAM R. FLEMING, *Vice President*

LESTER W. LINCKE, *Vice President*

EDWARD R. GRIFFITH, *Treasurer and Comptroller*

EARLE L. EDMONDS, *Secretary*



## *President's Report*

The Company enjoyed a year of record growth and performance during 1973. The increased volume of finance business and higher levels of outstanding receivables resulted in a substantial increase in our earnings.

Net earnings for 1973 were \$3.5 million, up 34.3 per cent from 1972 and represented a 17.6 per cent return on average equity capital invested. Gross operating income was \$18.9 million, up 32 per cent over the prior year. Dividends of \$.4 million were paid in 1973 and \$3.1 million of income was retained in order to strengthen our capital base.

Financing volume amounted to a record \$345 million, an increase of 29.7 per cent over last year's volume. This increase was the result of the record sales performance of the parent company and our continuing efforts to expand our retail financing services.

Receivables outstanding at year-end totalled \$183.2 million — a 16.8 per cent increase. Most of this growth was in the retail portfolio where a 21.4 per cent increase was achieved.

The Company, this past year, successfully completed one long-term and one medium-term financing totalling \$15 million. The proceeds of these issues, both privately placed, were used to reduce short-term borrowings. The Company also issued and sold a \$2 million subordinated note which increased the total subordinated debt of the Company to \$11.1 million.

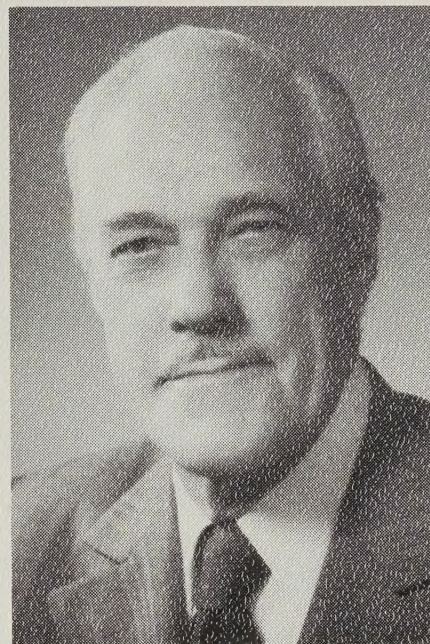
During the year, R. H. Burnside retired and resigned from the Board of Directors. W. E. Callahan, Executive Vice President, International Harvester Company, was elected a director.

We expect a further expansion of the Company's business in 1974. The favourable outlook for the Canadian economy, particularly in the capital equipment markets served by the parent company, indicates an increasing demand for our financial services.

But we must recognize that there are factors that can materially restrict the potential of the economy. Inflationary pressures, unless curtailed by both the public and private sectors, threaten industry's ability to compete at home and abroad. The energy situation must be given serious consideration in important facets of the economy and the accelerating cost of government-sponsored programs are of increasing concern.

Interest rates are not expected to show any significant decline during the early part of 1974 since the continuing strong demand for funds is expected to maintain upward pressure on rates over the near term. These higher money costs could affect our net earnings next year. We expect, however, that the increased interest expense will be offset largely by the income generated from higher levels of receivables.

On behalf of the Board of Directors, I wish to extend our sincere appreciation to the dealers, distributors and customers with whom the Company carries on business; to the financial and banking community, our thanks for its support; and to all our employees, our gratitude for making this past year a successful one.



A handwritten signature in dark ink, appearing to read "R. H. Burnside". The signature is stylized with a large, looping initial "R".



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED  
Annual Report for the year ended October 31, 1973

**INCOME**

Net income of the Company for 1973 was \$3,527,350, representing an increase of 34.3% over \$2,625,595 recorded in 1972. Record wholesale and retail acquisitions were primarily responsible for this increase. Gross income for 1973 was \$18,868,197, an increase of 32.0% over \$14,290,638 in 1972.

Net income in relation to average equity capital was 17.6% in 1973 compared to 15.1% in 1972. Dividends of \$400,000 were paid in 1973 compared to \$600,000 in 1972.

**WHOLESALE RECEIVABLES**

Wholesale receivables acquired in 1973 totalled \$234,006,000 representing an increase of 31.7% over \$177,674,000 acquired in 1972. This increase in acquisitions was due to higher wholesale sales by the parent company in 1973. The following is a comparison of wholesale receivables outstanding:

	<u>October 31, 1973</u>	<u>October 31, 1972</u>
Agricultural and Industrial Equipment.....	\$ 29,199,667	\$31,857,386
Truck .....	26,458,397	17,618,111
Construction Equipment .....	8,718,601	9,543,478
	<u>\$ 64,376,665</u>	<u>\$59,018,975</u>

Wholesale receivables outstanding six months or more at October 31, 1973 amounted to 14.5% of the total. Such receivables were 20.3% of the total in 1972.

**RETAIL RECEIVABLES**

Retail contracts acquired in 1973 were the highest in the Company's history and amounted to \$111,065,000 compared with \$88,419,000 in 1972, an increase of 25.6%. Shown below is a comparison of retail receivables outstanding:

	<u>October 31, 1973</u>	<u>October 31, 1972</u>
Agricultural and Industrial Equipment.....	\$ 27,713,141	\$34,744,002
Truck .....	76,478,891	53,002,715
Construction Equipment .....	14,669,482	10,188,291
	<u>\$118,861,514</u>	<u>\$97,935,008</u>

Retail receivable instalments delinquent sixty days or more at October 31, 1973 were 0.07% of retail receivables outstanding, compared to 0.10% of retail receivables outstanding at October 31, 1972.



# INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

## ALLOWANCES AND DEALERS' CONTINGENCY CREDITS

The allowance for losses at October 31, 1973 was \$1,872,704 (1.02% of total outstanding) compared with \$1,871,944 (1.19% of total outstanding) at October 31, 1972. In 1973 \$170,000 was placed in allowance for losses and charged to income, compared to \$300,000 in 1972.

Losses incurred in 1973 amounted to \$169,240 (0.05% of liquidations) compared to \$147,131 (0.06% of liquidations) in 1972.

Dealers' contingency credits held for possible future credit losses amounted to \$1,551,914 at October 31, 1973 compared to \$1,265,220 at October 31, 1972.

The Company's policy is to write off accounts as soon as they are determined to be uncollectible. Most retail losses are charged against contingency credit accounts established for dealers and International Harvester Company of Canada, Limited. Repossessions are on the books generally at the estimated resale value, thus the estimated losses, if any, are charged directly to dealers' contingency credit accounts or taken up as losses by the Company.

## FINANCIAL

On March 15, 1973, \$10,000,000 of 8½% Serial Debentures, Series D were issued and sold through private placement. Such debentures will mature serially as to \$1,000,000 principal amount on March 15 in each of the years from 1984 to 1993 inclusive.

On April 9, 1973 a \$2,000,000 7¾% Junior Subordinated Note due April 8, 1978 was sold and on June 1, 1973 a \$5,000,000 U.S. Funds 8½% Note due June 1, 1976 was sold.

111,065,000  
234,006,000  

---

345,071,000

177,674,000  
88,419,000  

---

266,093,000

INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

STATEMENT OF INCOME AND INCOME RETAINED  
FOR THE YEARS ENDED OCTOBER 31, 1973 AND 1972

	1973	1972
INCOME		
Interest, discounts, finance charges and other income on notes receivable		
Retail.....	\$11,068,062	\$ 8,414,601
Wholesale .....	7,800,135	5,876,037
Total income.....	18,868,197	14,290,638
EXPENSES		
Interest.....	9,307,192	6,830,661
Commission on short-term notes .....	105,014	117,723
Debenture expense .....	66,500	42,206
Service fee paid to parent company for credit and collection, management, and other services.....	1,704,000	1,545,500
Provision for losses on receivables.....	170,000	300,000
Insurance .....	430,859	299,264
Other charges .....	123,963	116,875
Taxes on income .....	3,537,283	2,412,814
Total expenses .....	15,444,811	11,665,043
INCOME FROM OPERATIONS BEFORE EXTRAORDINARY ITEM .....	3,423,386	2,625,595
Extraordinary item		
Realized exchange gain on retirement of long-term debt (net of applicable income taxes of \$103,964) ..	103,964	—
Net income for the year.....	3,527,350	2,625,595
Dividends paid .....	400,000	600,000
INCOME RETAINED FOR THE YEAR.....	3,127,350	2,025,595
INCOME RETAINED AT BEGINNING OF THE YEAR ..	8,409,626	6,384,031
INCOME RETAINED AT END OF THE YEAR .....	11,536,976	\$ 8,409,626

The Basis of Financial Statements presented on page 6 is an integral part of this statement.



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED  
STATEMENT OF FINANCIAL CONDITION OCTOBER 31, 1973 AND 1972

ASSETS		1973	1972
CASH .....		\$ —	\$ 49,115
NOTES RECEIVABLE			
Retail (including due from affiliated company			
1973 — \$8,610,189; 1972 — \$5,229,762) .....		118,861,514	97,935,008
Wholesale .....		64,376,665	59,018,975
		<u>183,238,179</u>	<u>156,953,983</u>
Less			
Unearned finance charges on retail notes .....		14,883,001	12,972,535
Deferred discounts on wholesale notes .....		513,489	486,706
Allowance for losses .....		1,872,704	1,871,944
		<u>17,269,194</u>	<u>15,331,185</u>
Notes receivable (net) .....		<u>165,968,985</u>	<u>141,622,798</u>
REPOSSESSIONS .....		38,191	73,858
DEFERRED INCOME TAXES .....		922,000	940,000
PREPAID INTEREST .....		435,476	257,348
UNAMORTIZED DEBENTURE EXPENSE .....		105,000	67,500
TOTAL ASSETS .....		<u>167,469,652</u>	<u>143,010,619</u>
LIABILITIES AND EQUITY CAPITAL			
BANK INDEBTEDNESS .....		\$ 321,258	\$ —
NOTES PAYABLE WITHIN ONE YEAR			
Banks .....		8,930,000	7,370,000
Parent Company .....		400,000	2,100,000
Notes placed primarily in the open market .....		65,992,000	55,984,868
Current maturities of long-term debt .....		5,732,500	5,217,860
		<u>81,054,500</u>	<u>70,672,728</u>
ACCOUNTS PAYABLE			
Parent Company .....		5,680,643	7,676,207
Other .....		348,758	232,367
		<u>6,029,401</u>	<u>7,908,574</u>
DEALER'S CONTINGENCY CREDITS .....		1,551,914	1,265,220
ACCRUED TAXES .....		1,122,037	428,754
ACCRUED INTEREST .....		1,367,753	1,107,404
LONG-TERM DEBT .....		54,485,813	43,218,313
EQUITY CAPITAL			
Capital stock			
Authorized — 250,000 shares of \$100 par value			
Issued and fully paid 100,000 shares .....		10,000,000	10,000,000
Income retained .....		11,536,976	8,409,626
Total equity capital .....		<u>21,536,976</u>	<u>18,409,626</u>
TOTAL LIABILITIES AND EQUITY CAPITAL .....		<u>\$167,469,652</u>	<u>\$143,010,619</u>

Approved by the Board:  
W. N. SMITH, Director  
W. R. FLEMING, Director

The Basis of Financial Statements presented on page 6 is an integral part of this statement.



# INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

## BASIS OF FINANCIAL STATEMENTS

FOREIGN EXCHANGE: Current assets and current liabilities at October 31, 1973 are translated at the year end exchange rates. Long-term debt is translated at the historic rate in effect at the time of incurring the debt.

RECEIVABLES: At October 31, 1973 wholesale notes receivable included \$3,070,592 which will mature after October 31, 1974, of which none will mature after October 31, 1975 and retail notes receivable included \$67,368,347 maturing after October 31, 1974, of which \$28,084,547 will mature after October 31, 1975.

DEFERRED INCOME TAXES: The Company follows the accounting practice of providing the total amount of income taxes applicable to the income reported in the year regardless of the year in which the income tax is actually payable.

NET INCOME: Earnings on wholesale notes are derived from carrying charges based on the monthly note balances and from a discount which the Company takes into income upon settlement of the notes. Finance charges included in retail notes are taken into income over the life of the notes.

REMUNERATION OF DIRECTORS AND OFFICERS: During the year there were nine directors and five officers, none of whom received remuneration. Four of the officers were also directors.

INDEBTEDNESS: The long-term liabilities of the Company at October 31, 1973 and 1972, were as follows:

SENIOR INDEBTEDNESS	1973	1972
Debentures		
5¾% Series A, due 1982 .....	\$ 6,000,000	\$ 6,000,000
5¾% Series B, due 1984 .....	5,000,000	5,000,000
8¾% Series C, due annually commencing 1978 .....	10,000,000	10,000,000
8½% Series D, due annually commencing 1984 .....	10,000,000	—
Notes		
8¾% due 1973 (U.S. \$5,000,000) .....	—	5,107,500
8% due 1975 .....	3,000,000	3,000,000
10% due quarterly commencing 1974 .....	4,375,000	5,000,000
8½% due 1976 (U.S. \$5,000,000) .....	5,000,000	—
Total .....	<u>43,375,000</u>	<u>34,107,500</u>
SUBORDINATED INDEBTEDNESS		
6% Note, due 1984 .....	<u>2,000,000</u>	<u>2,000,000</u>
JUNIOR SUBORDINATED INDEBTEDNESS		
7¾% Note, due 1977 (U.S. \$2,500,000) .....	2,698,438	2,698,438
7¾% Note, due 1977 (U.S. \$2,500,000) .....	2,696,875	2,696,875
7¼% Note, due 1977 (U.S. \$1,600,000) .....	1,715,500	1,715,500
7¾% Note, due 1978 .....	2,000,000	—
Total .....	<u>9,110,813</u>	<u>7,110,813</u>
TOTAL LONG-TERM INDEBTEDNESS .....	<u>\$54,485,813</u>	<u>\$43,218,313</u>

Dividend distribution under the provisions of the loan agreements relating to senior and subordinated indebtedness is restricted to approximately \$3,315,000 at October 31, 1973 and \$4,200,000 at October 31, 1972.



**INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED**  
**Statement of Changes in Financial Position for the years ended October 31, 1973 and 1972**

**SOURCE OF FUNDS**

	1973	1972
Operations		
Net income .....	\$ 3,527,350	\$ 2,625,595
Non-cash transactions		
Provision for losses on receivables .....	170,000	300,000
Deferred income taxes .....	18,000	(41,000)
Total funds provided by operations .....	3,715,350	2,884,595
Collections on notes receivable (except finance charges included in net income) .....	308,143,055	224,550,689
Proceeds from issuance of long-term debt .....	17,000,000	10,000,000
Proceeds from issuance of short-term debt — net .....	9,867,132	5,714,193
Other — Net .....	(322,418)	3,953,135
Total .....	<u>\$338,403,119</u>	<u>\$247,102,612</u>

**APPLICATION OF FUNDS**

Acquisition of notes receivable (excludes finance charges) .....	\$332,516,785	\$254,555,991
Redemption of long-term debt .....	5,217,860	—
Decrease (increase) in accounts payable — net .....	638,847	(8,200,375)
Payment of cash dividends .....	400,000	600,000
Increase (decrease) in cash .....	(370,373)	146,996
Total .....	<u>\$338,403,119</u>	<u>\$247,102,612</u>

DELOITTE, HASKINS & SELLS  
 CHARTERED ACCOUNTANTS

105 MAIN STREET EAST  
 HAMILTON, ONTARIO

To the Shareholders of  
 International Harvester Credit Corporation  
 of Canada Limited:

We have examined the Statement of Financial Condition of International Harvester Credit Corporation of Canada Limited as at October 31, 1973 and 1972 and the Statements of Income and Income Retained and Changes in Financial Position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at October 31, 1973 and 1972 and the results of its operations and the changes in financial position for the years then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte, Haskins & Sells*

November 28, 1973



# INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

## STATISTICAL DATA (Dollar amounts in thousands)

### INCOME AND INCOME RETAINED

	1973	1972	1971	1970	1969
Income .....	\$ 18,868	\$ 14,291	\$ 12,820	\$ 12,478	\$ 11,461
Service fee paid to parent company .....	1,704	1,546	1,314	1,161	1,060
Provision for losses on receivables .....	170	300	160	200	240
Interest and commissions .....	9,412	6,948	6,234	7,289	6,158
Other charges (net) .....	518	458	731	385	377
Taxes on income .....	3,537	2,413	2,278	1,825	1,900
Deferred income tax .....	—	—	—	—	(345)
Net income .....	3,527	2,626	2,103	1,618	2,071
Cash dividends .....	400	600	1,200	1,200	1,200
Income retained .....	\$ 3,127	\$ 2,026	\$ 903	\$ 418	\$ 871
Percent of net income to average equity capital .....	17.6%	15.1%	13.2%	10.6%	14.2%

### ASSETS

Cash .....	\$ —	\$ 49	\$ —	\$ 247	\$ 101
Receivables (net) .....	165,969	141,697	111,951	109,264	105,205
Other assets .....	1,501	1,265	5,203	1,331	1,004
Total assets .....	\$167,470	\$143,011	\$117,154	\$110,842	\$106,310

### EQUITY CAPITAL AND LIABILITIES

Capital stock .....	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Income retained .....	11,537	8,410	6,384	5,481	5,063
Total equity capital .....	21,537	18,410	16,384	15,481	15,063
Current indebtedness .....	81,376	70,673	59,839	65,986	66,399
Other liabilities .....	10,071	10,709	2,495	4,046	4,737
Long-term senior indebtedness .....	43,375	34,108	29,325	16,218	11,000
Long-term subordinated indebtedness .....	2,000	2,000	2,000	2,000	2,000
Long-term junior subordinated indebtedness .....	9,111	7,111	7,111	7,111	7,111
Total liabilities and equity capital .....	\$167,470	\$143,011	\$117,154	\$110,842	\$106,310

### NOTES RECEIVABLE

Wholesale notes acquired .....	\$234,006	\$177,674	\$127,087	\$100,472	\$125,377
Retail notes acquired .....	111,065	88,419	65,956	57,765	51,884
Total notes acquired .....	\$345,071	\$266,093	\$193,043	\$158,237	\$177,261

Wholesale receivables at year end .....	\$ 64,377	\$ 59,019	\$ 48,648	\$ 50,007	\$ 56,217
Retail receivables at year end .....	118,862	97,935	74,589	70,522	58,558
Total receivables at year end .....	\$183,239	\$156,954	\$123,237	\$120,529	\$114,775

### ALLOWANCES AND DEALERS' CONTINGENCY CREDITS

Allowance for losses .....	\$ 1,873	\$ 1,872	\$ 1,719	\$ 1,715	\$ 1,660
Dealers' contingency credits .....	\$ 1,552	\$ 1,265	\$ 1,261	\$ 1,372	\$ 1,145



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

REGIONAL FINANCE OFFICES, OCTOBER 31, 1973

EDMONTON, ALBERTA

BURLINGTON, ONTARIO

MONTREAL, QUEBEC



